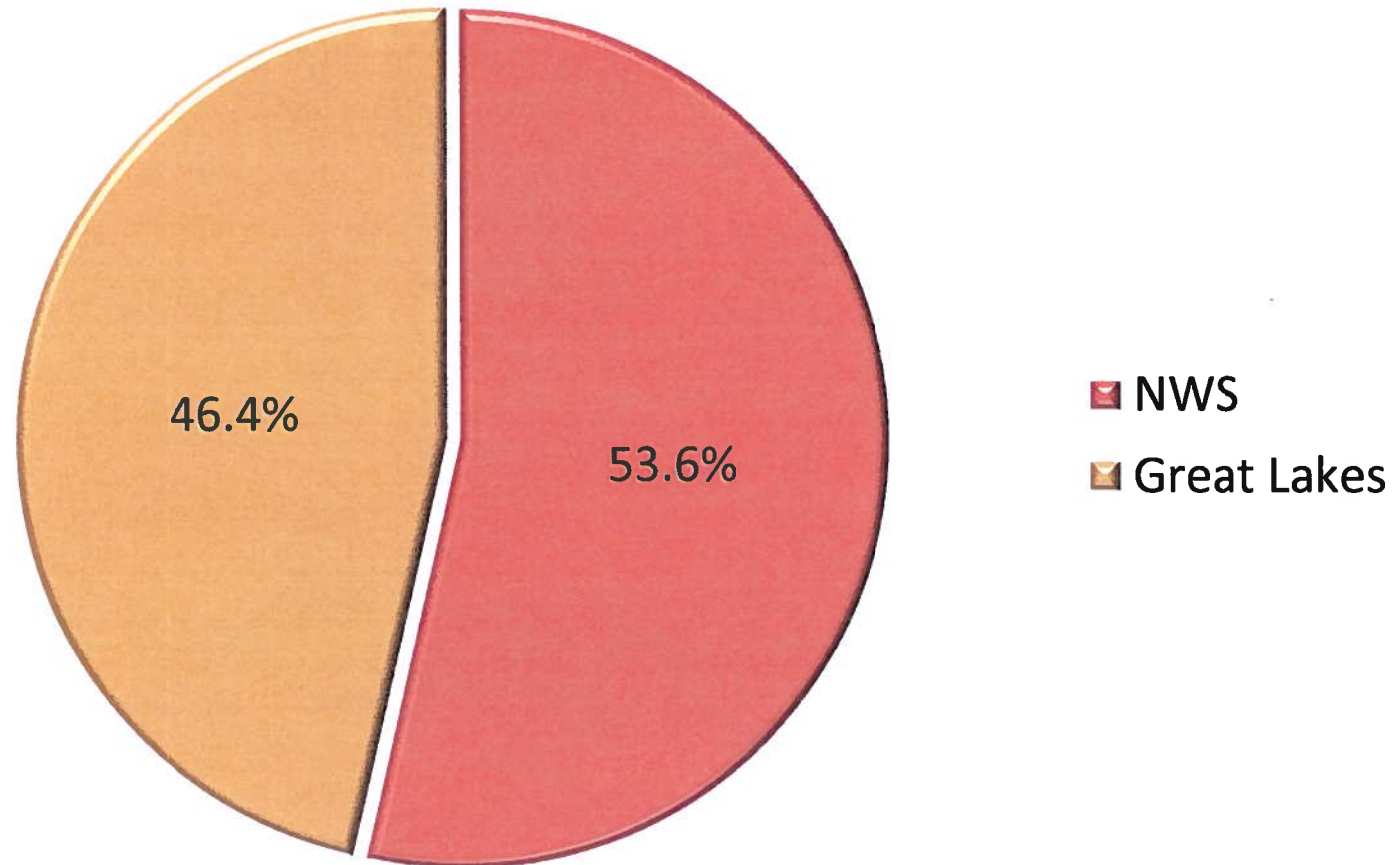




House Regulatory Reform Committee Hearing  
HB5578, Representative Crawford  
September 30<sup>th</sup>, 2014

# Michigan ADA Volume Share

August 2014 NABCA (standard case)



Michigan Total Spirits Volume = 6.8M std cases +1.6%



# ADA FACT SHEET

- Michigan is one of 18 control states in the U.S.
- The State is the wholesaler of spirits, grossing over \$230M a year in spirit sales.
- Sales are healthy and growing 3.5% per year/or an average growth rate of 6.6M standard cases annually.
- The ADA system (Authorized Distribution Agent) began on January 1<sup>st</sup>, 1997. At that time 3 ADA's shipped spirits to the Michigan marketplace, that number is now 2.
- The original State of Michigan paid portion of the ADA fee was \$5.42 per case and has slowly increased to \$7.50 (\$8.85 total) in 17 years.

# ADA FACT SHEET

- This current rate of \$7.50 per case is the maximum allowed by the 17 year old ADA bill.
- ADA's legislatively have no other option to increase delivery revenue.
- ADA's are very large industrial companies, NWS for example employs over 350, maintains 6 physical warehouses state wide, operates a fleet of 125 delivery vehicles that deliver to upwards of 10,000 accounts weekly.
- The ADA system is the backbone of the State of Michigan spirit profit center, if the ADA's cannot have future ADA fee increases the system will fail putting in jeopardy an almost \$300M dollar revenue driver for the State of Michigan.

# ADA Fee History

Date	State	Producer	Total	Increase	%
Dec-96	\$5.42	\$1.08	\$6.50		
Jan-00	\$5.94	\$1.08	\$7.02	\$0.52	8.0%
Feb-01	\$6.24	\$1.08	\$7.32	\$0.30	4.3%
Feb-02	\$6.40	\$1.08	\$7.48	\$0.16	2.2%
Feb-03	\$6.52	\$1.08	\$7.60	\$0.12	1.6%
Feb-04	\$6.70	\$1.08	\$7.78	\$0.18	2.4%
Oct-05	\$6.86	\$1.24	\$8.10	\$0.32	4.1%
Jan-06	\$6.97	\$1.35	\$8.32	\$0.22	2.7%
Jan-13	\$7.50	\$1.35	\$8.85	\$0.53	6.4%

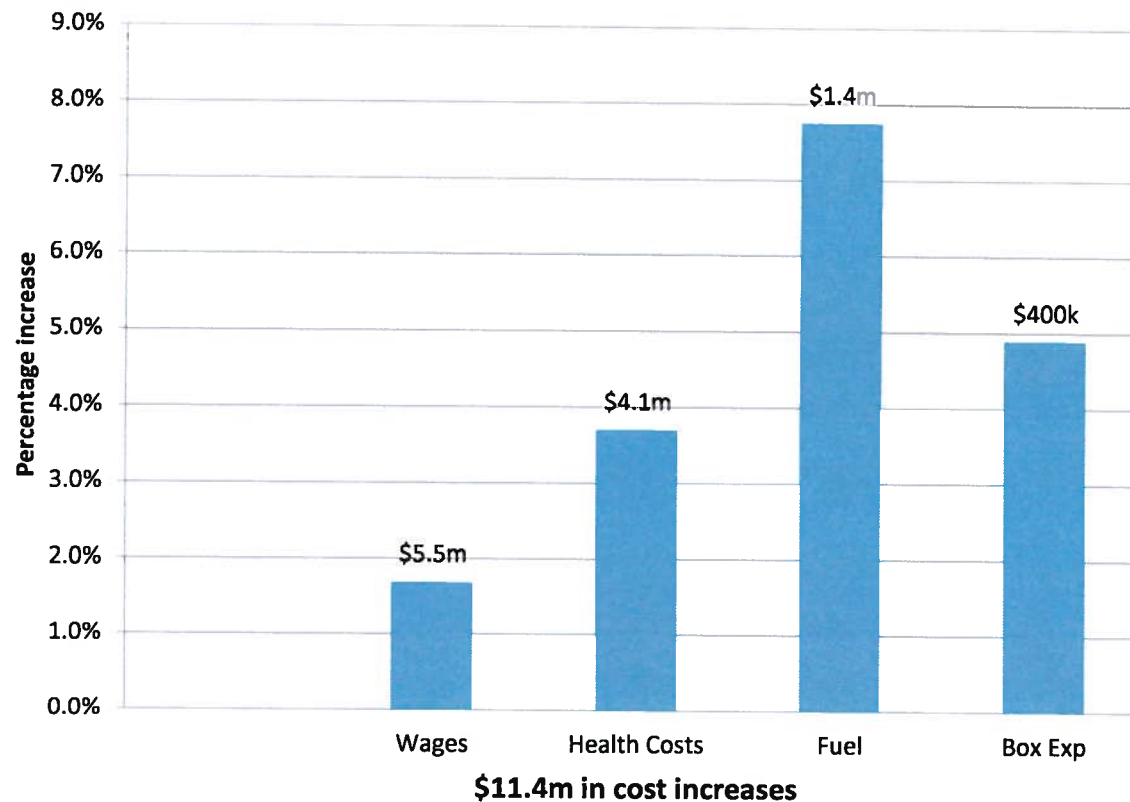
# **EXHIBIT 12. Number of Outlets and Products (Spirits)**

State	Split Case		Number of Delivery Points		Number of Products
	Allowed?	Fee?	On-Premise	Off-Premise	
Alabama	No	–	0	161	1,173
Idaho	Yes	Yes	0	165	1,757
Iowa	Yes	Yes	0	492	1,255
Maine	n/a	n/a	0	246	2,434
<b>Michigan</b>	<b>Yes</b>	<b>No</b>	<b>9,160</b>	<b>4,268</b>	<b>6,904</b>
Mississippi	Yes	Yes	987* full case only	516	1,500
Montana	Yes	No	0	96	836
New Hampshire	Yes	No	1,311	77	1,945
North Carolina	No	No	0	404	1,539
Ohio	No	n/a	0	437	1,513
Oregon	Yes	No	0	243	1,849
Pennsylvania	Yes	Yes	0	634	1,058
Utah	Yes	No	0	157	779
Vermont	No	No	0	75	800
Virginia	Yes (off premise only)	No	0	335	2,747
Washington	No	No	0	315	1,254
West Virginia	No	No	0	142	1,929
Wyoming	Yes	Yes	1,150	124	924

## **No other state in the nation:**

- Has such a large product offering to the consumer
- Has no limits on split cases
- Does not allow for split case fee
- Requires delivery to as many outlets
- Has more than one entity delivering to licensees

## ADA 5 yr Cost Increase Analysis



- In 1997 per gallon of diesel was \$1.14, today cost is \$3.95 per gallon an increase of over 346%.
- The ADA fee has increased only 36% in the same time period.

# HISTORY OF REVENUE AND EXPENSES

Fiscal Year Ended	Gross Profit On Sales	Taxes, Licenses and Other Revenue	Total Gross Revenue	Total Administrative Expenses	Total Net Income	Returnable License Fees 55%	Net Income to State Government
<b>Sept 30</b>							
1979	82,414,106	103,290,933	185,705,039	25,431,819	160,273,220	4,720,472	155,552,748
1980	86,767,966	106,368,850	193,136,816	28,482,163	164,654,653	4,831,514	159,823,139
1981	89,228,078	108,980,072	198,208,150	29,927,315	168,280,835	4,901,013	163,379,822
1982	89,110,371	110,695,128	199,805,499	32,320,130	167,485,369	4,952,500	162,532,869
1983	84,472,543	109,368,534	193,841,077	34,482,847	159,358,230	5,017,002	154,341,228
1984	85,006,499	110,683,139	195,689,638	36,113,538	159,576,100	5,041,291	154,534,809
1985	90,135,957	113,527,346	203,663,303	39,650,592	164,012,711	5,053,977	158,958,734
1986	90,184,097	134,950,255	225,134,352	39,775,881	185,358,471	4,982,797	180,375,674
1987	89,456,305	135,972,442	225,428,747	42,367,980	183,060,767	5,004,555	178,056,212
1988	86,867,321	132,463,490	219,330,811	43,892,269	175,438,542	4,895,083	170,543,459
1989	87,473,309	131,279,730	218,753,039	42,300,993	176,452,046	4,931,013	171,521,033
1990	92,095,395	134,331,543	226,426,938	43,440,767	182,986,171	4,988,581	177,997,590**
1991	97,615,290	136,490,594	234,105,884	45,843,741	188,262,143	5,053,930	183,208,213
1992	95,521,948	134,505,345	230,027,293	45,812,040	184,215,253	5,035,731	179,179,522
1993	109,671,461	135,786,022	245,457,483	43,935,435	201,522,048	5,099,575	196,422,473
1994	126,459,129	135,018,320	261,477,449	44,226,953	217,250,496	5,121,767	212,128,729
1995	126,679,011	136,168,490	262,847,501	45,091,001	217,756,500	5,216,510	212,539,990
1996	132,538,174	138,837,715	271,375,889	45,252,961	226,122,928	5,181,010	220,941,918
1997	114,795,188	138,021,291	252,816,479	30,507,779*	222,308,700	5,267,854	217,040,846
1998	135,126,986	146,189,737	281,316,723	44,954,826	236,361,897	5,249,741	231,112,156
1999	147,559,022	148,335,479	295,894,501	49,203,757	246,690,744	5,286,991	241,403,753
2000	161,903,146	156,531,156	318,434,302	50,648,264	267,786,038	5,125,861	262,660,177
2001	164,595,543	161,232,117	325,827,660	53,806,670	272,020,990	5,376,659	266,644,331
2002	165,097,750	163,270,967	328,368,717	57,022,650	271,346,067	5,418,676	265,927,391
2003	173,426,741	168,268,629	341,695,370	55,536,185	286,159,185	5,241,142	280,918,043
2004	183,602,554	176,075,890	359,678,444	57,505,661	302,172,783	5,572,483	296,600,300
2005	188,133,408	178,302,344	366,435,752	59,785,091	306,650,661	5,974,444	300,676,217
2006	198,129,324	182,696,589	380,825,913	64,225,094	316,600,819	5,885,251	310,715,568
2007	204,953,627	187,420,753	392,374,380	65,637,698	326,736,682	5,915,500	320,821,182
2008	208,789,670	191,782,011	400,571,681	67,163,482	333,408,199	6,285,160	327,123,039
2009	211,624,001	194,018,714	405,642,715	68,535,707	337,107,008	6,278,198	330,828,810
2010	210,745,376	194,184,450	404,929,826	70,974,531	333,955,295	6,384,390	327,570,905
2011	220,022,159	200,360,289	420,382,448	73,154,098	347,228,350	6,539,916	340,688,434
2012	231,485,138	208,982,291	440,467,429	77,925,683	362,541,746	6,647,626	355,894,120
<b>Gross Profit On Sales</b>							
10 yr avg. rate 3.5% per year							
10 yr avg. \$ increase \$6,638,739 per year							
<b>Net Income to State Government</b>							
10 yr avg. rate 3.0% per year							
10 yr avg. \$ increase \$8,996,673 per year							

Notes:

\*\* Upon review of the Statistical book, a discrepancy was discovered in the published 1990 Financial Statement total Net Income. The discrepancy was corrected in the 1991 annual Financial Statement



THANK YOU FOR YOUR TIME

